Small Businesses Feel Lending Pinch

If you are a small-business owner looking for financing, be prepared for bad news. Your lender will likely give you the cold shoulder when you go looking for cash.

Two-thirds of commercial lenders think the current economic slowdown will drag its heels into 2002, according to the latest Phoenix Lending Survey. The quarterly survey, which gauges shifts in lending attitudes, also revealed that small and mid-sized businesses will be especially hard hit when it comes to finding willing lenders.

Who is expected to feel the effects of the lending restrictions the most?

Forty-seven percent of the respondents said middle-market firms. Another 33 percent said small-business would take a hit.

And for the first time in more than a year, an industry other than health care was named "least attractive" by a majority of lenders. Seventy-three percent of lenders said the industry they least wanted to lend to was start-up ventures. Health care, especially nonprofit and managed-care firms, followed with 66 percent naming it unattractive.

Technology businesses also took a hit in perceived unattractiveness, up from 42 percent in the last quarter of 2000 to 57 percent in the first quarter of this year.

Light manufacturing and industrial distribution continue their runs as being most attractive to lenders, with 79 percent and 75 percent of lenders respectively naming them attractive to their lending institutions.

Mapping Your Universe

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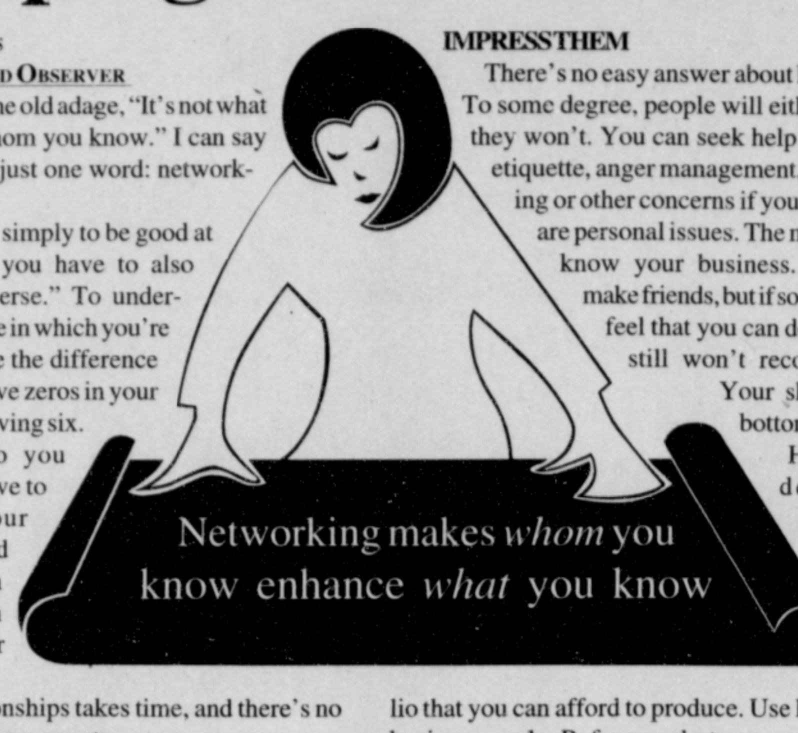

You've heard the old adage, "It's not what you know, it's whom you know." I can say the same thing in just one word: networking.

It's not enough simply to be good at your profession, you have to also know your "universe." To understand the landscape in which you're working can make the difference between having five zeros in your bottom line and having six.

But where do you start? First you have to understand your goal: to build solid relationships with people who can send work your way.

Building relationships takes time, and there's no time to start like the present.

MEETPEOPLE

If you haven't done so already, research other firms in the area (competitors, contractors and customers). Learn all the industry-related associations and other peer-support-type of groups. Know who the appropriate government contact-people are; find the person who actually makes hiring decisions, not someone lower on the chain of command.

Now that you know whom you would like to meet, meet them. Go to those meetings and introduce yourself. Call people up. Send them your resume or brochure.

GETTOGETHERWITHTHEM

Okay, they know your name. Now what?

They have to learn about you and your business, and they have to get to know you as a person. Business is done by people, and people like to help people they know. It's your job to help people want to help you.

How can you create opportunities to spend more than 60 seconds with influential people? Join some of those professional groups, or even better, join their boards of directors. Take them out to lunch. Request an "informational interview," which gives you an opportunity to ask someone industry-related questions (but don't pitch your firm directly).

IMPRESSTHEM

There's no easy answer about how to do this: To some degree, people will either like you or they won't. You can seek help with business etiquette, anger management, public speaking or other concerns if you feel that these are personal issues. The main thing is to know your business. Anyone can make friends, but if someone doesn't feel that you can do the job, they still won't recommend you. Your skills are your bottom line.

How do you demonstrate your skills? Develop as professional-looking portfolio that you can afford to produce. Use letterhead and business cards. Refer people to your website. Give them a copy of a letter of recommendation.

Talk about the skill and dedication of you and your employees. Mention past experiences, going above and beyond the call of duty to satisfy a customer. Don't make promises that you'll be unable to keep, but give them something to remember you by.

FOLLOWUP

After your meeting, informational interview or other one-on-one interaction, write a thank-you note. Then wait. Give them time to fit you into their universe. If you haven't heard from them in a week or so, give them a call. Keep your tone friendly, not demanding. Make it clear that you are ready and willing to do business, but don't push it to the point of irritating them. It's an intricate dance.

Networking is not done overnight. You have to invest in other people so that they are interested in investing in you. By demonstrating your competence, professionalism, and resolve as a business owner, you will make yourself a star within your universe.

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